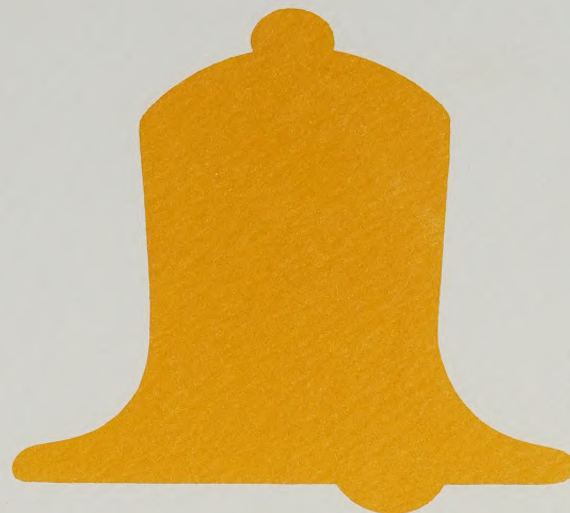


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1967 ANNUAL REPORT

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

Meet your Bell Captain



• On the cover is Captain International's new 17,500-square-foot manufacturing plant at Montgomeryville, Pennsylvania.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

OFFICERS AND DIRECTORS

KEITH BALDWIN - - - President and Director
NATHAN FRANKEL - - - Managing Director
ALEXANDER H. LENECH - - - Vice-President and Director
G. ARNOLD ARMSTRONG - - - Secretary-Treasurer and Director
ROBERT F. HARRISON - - - Director

HEAD OFFICE

Suite 600 - 890 West Pender Street, Vancouver 1, B.C., Canada

REGISTERED OFFICE

1250 - One Bentall Centre, 505 Burrard Street, Vancouver 1, B.C., Canada

TRANSFER AGENT AND REGISTRAR

THE GUARANTY TRUST COMPANY OF CANADA
624 Howe Street, Vancouver 1, B.C., Canada

CAPTAIN INTERNATIONAL INDUSTRIES INC.

OFFICERS AND DIRECTORS

KEITH BALDWIN - - - President and Director
G. ARNOLD ARMSTRONG - - - Vice-President, Secretary and Director
ALEXANDER H. LENECH - - - Vice-President, Treasurer and Director
NATHAN FRANKEL - - - Vice-President, Finance, and Director
JACK P. MORGAN - - - Vice-President, Operations, and Director
REX YANNARELL - - - Vice-President, Marketing, and Director

HEAD OFFICE—MARKETING AND SALES

Commerce Drive, Montgomeryville, Pennsylvania 18936, U.S.A.

REGISTERED OFFICE

1418 Packard Building, Philadelphia, Pennsylvania 19102, U.S.A.

MANUFACTURING PLANT

Commerce Drive, Montgomeryville, Pennsylvania 18936, U.S.A.

JOSEPH JANOS - - - Plant Manager
ED HOLLINSHEAD - - - Manager — Electrical Products, Engineering
WARREN UNGERMAN - - - Manager — Mechanical Products, Engineering
SAM ROWAN - - - Manager — Installation Engineering
GALEN DAY - - - Manager — Customer Service
JOHN COE - - - Manager — Eastern Regional Sales



KEITH BALDWIN, President

PRESIDENT'S REPORT

After a year of intense formative activity, Captain International Industries Ltd. has gone through the transitional period from a development company to a production and marketing company.

Since your Company's last annual meeting, a continuing series of events has generated a wave of interest in the "Bell Captain", your Company's hotel-motel dispensing unit.

Important sales contracts have been signed and others are being negotiated. In the atmosphere created by an international hotel-motel boom, our future appears particularly bright.

While contracts have been signed with groups in Canada, the United States and the United Kingdom, the most significant sale in the last year was made in December. At that time a contract was entered into with Dutch Inns of America, Inc., to supply 3,000 Bell Captain Service Centres all equipped with the newly developed Captain Communicator System.

Dutch Inns is one of the fastest growing Motor Inn operations in America. It intends to spend \$350,000,000.00 in the next 12 months in expansion. The President of Dutch Inns has stated, "I can foresee the Bell Captain Service Centre providing 24 hour room service convenience unobtainable in any other way."

Since the last annual meeting, Captain has established offices in Fort Washington, Pennsylvania and Long Beach, California.

Installations have been made in Hilton Hotels in Puerto Rico and San Francisco,

in the Canadian National Hotel in St. John's, Newfoundland, and in other hotels in both Newfoundland and Montreal.

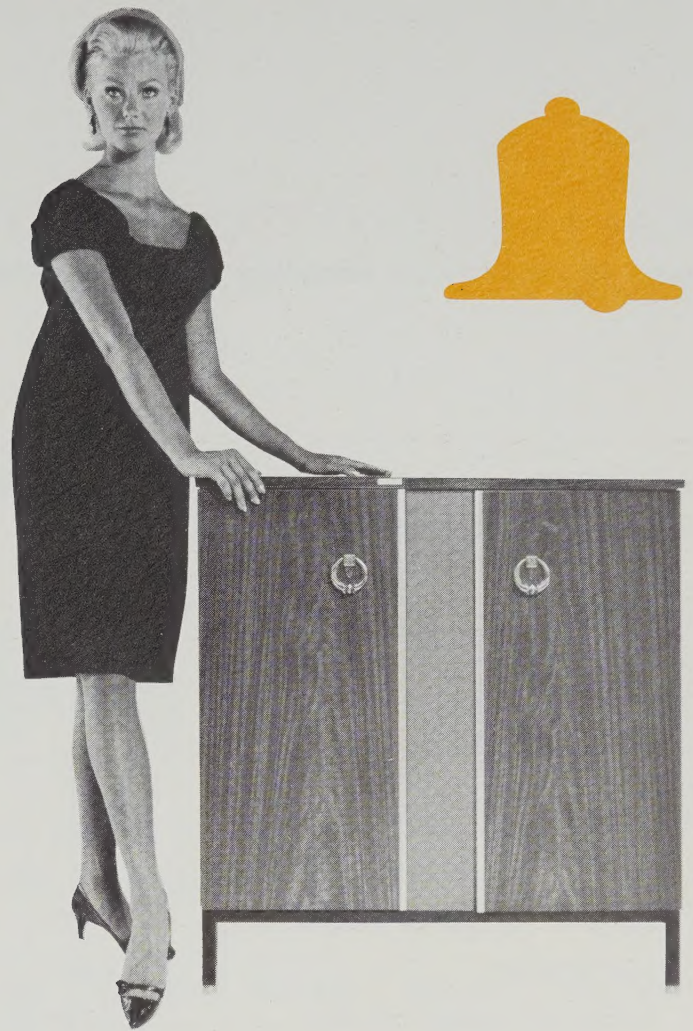
Bell Captain Service Centres, complete with Captain Communicator Systems have now been installed in every room of the new 141-room Keystone Motor Lodge at Scranton, Pennsylvania. This is our first complete installation, with a unit in every room.

In a continuing program of exposure, Bell Captain was displayed at hotel shows in Chicago, Boston, New York, Miami and Los Angeles. As well, it was shown, with assistance from the Canadian Department of Trade and Commerce, in exhibitions at Paris and London.

As a result of the European showings a contract was entered into for the exclusive distribution of your Company's products in Great Britain and Ireland. Your new distributor is QuickMaid Rental Services Ltd., a division of Phonographic Equipment Co. Ltd. The "Phonographic Group of Companies" is widely established in the United Kingdom and is listed on the London Stock Exchange.

To date 76 machines have been shipped to QuickMaid and a further 76 have since been ordered. This market and the booming European hospitality industry make us most optimistic about our future in Great Britain and Europe.

To handle increased business in the United States and elsewhere, we have leased our own 17,500-square-foot manufacturing plant at Montgomeryville, Pennsylvania, near Philadelphia. This is a new and modern plant, close



to services and supplies. The plant has been designed and equipped for maximum efficiency and output – the building includes showrooms and administration offices – and will serve as head office for our international marketing organization. Key personnel have been added to provide depth to our manufacturing staff.

During the past year not only has our engineering staff made tremendous improvements in the Bell Captain Service Centre, but it has also developed the Captain Communicator System. It is our intention to continue development of the machine, and also to develop new and improved electronic systems capable of being assimilated into our marketing organization.

Negotiations are continuing with virtually all of the principal hotel-motel operators. We plan to appoint distributors and in fact, discussions are in progress at this time, for the states of Florida, New York, Illinois, California and Nevada. It is your Company's intention to establish a world wide distribution and service network.

On the financial side, your Company has raised more than \$1,000,000.00 through three underwritings. With \$725,000.00 raised under

the most recent underwriting, plus funds still in the treasury, we now have close to \$1,000,000.00 with which to continue our program.

Our signed orders to date indicate that we can anticipate total sales, including sales to distributors, in excess of \$3 million for the year ending Dec. 31, 1968. This should result in a very satisfactory profit.

In other areas, Captain International's shares have been listed on the Vancouver Stock Exchange and the Company intends to apply for listings on other accredited exchanges in the near future.

Your Company now has approximately 1,700 registered shareholders, an increase of 1,400 over the past year.

Our products continue to gain world wide recognition and your directors have enormous confidence in the Company's future growth and development.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

Vancouver, B.C.
March 12, 1968.

President

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

Schedule 1

CONDENSED CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT EXPENSES

From January 1, 1962 to December 31, 1967

	Year Ended December 31, 1962	Year Ended December 31, 1963	Year Ended December 31, 1964	Year Ended December 31, 1965	Year Ended December 31, 1966	Year Ended December 31, 1967 (*)	Total
Accounting and audit	\$ 1,029	\$ 675	\$ 1,050	\$ 1,265	\$ 1,125	\$ 7,770	\$ 12,914
Advertising and promotion			290	3,092	21,374	33,272	58,028
Brochures and market research	567			10,196			10,763
Legal expense	1,627	1,010	948	1,450	7,175	11,076	23,286
Salaries and management fees	5,100	9,200	17,372	35,991	33,280	147,347	248,290
Production of prototype models							
(i) shop	2,268	5,763	9,572				17,603
(ii) subcontract — Hawker Siddeley Canada Ltd.	7,914		9,237	10,429			27,580
Office — transfer agent fees, printing, rent, telephone and supplies	957	786	2,424	4,514	21,394	53,211	83,286
Travelling expense	3,689	1,863	6,716	8,999	23,396	61,171	105,834
Auto expenses					2,742	9,470	12,212
Moving expenses, freight and duty					1,932	9,752	11,684
Amortization of leasehold improvements and depreciation					1,786	4,232	6,018
Parts for service units					2,305		2,305
Installation costs					6,405		6,405
Miscellaneous expenses						3,679	3,679
	<u>\$23,151</u>	<u>\$19,297</u>	<u>\$47,609</u>	<u>\$75,936</u>	<u>\$122,914</u>	<u>\$340,980</u>	<u>\$629,887</u>
Less — franchise fees, interest and other income					5,837	27,659	33,496
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred development expenses — Schedule 2	<u>\$23,151</u>	<u>\$19,297</u>	<u>\$47,609</u>	<u>\$75,936</u>	<u>\$117,077</u>	<u>\$313,321</u>	<u>\$596,391</u>

* 1967 was the first year of operation of the subsidiary company



CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
For the Period January 1, 1962 to December 31, 1967

	January 1, 1962 to December 31, 1962	January 1, 1963 to December 31, 1963	January 1, 1964 to December 31, 1964	January 1, 1965 to December 31, 1965	January 1, 1966 to December 31, 1966	January 1, 1967 to December 31, 1967 (*)	Total
SOURCE OF FUNDS							
Sale of shares.....	\$47,372	\$12,660	\$69,900	\$186,419	\$300,000	\$315,000	\$931,351
Recoveries on service units.....						12,829	12,829
	<u>\$47,372</u>	<u>\$12,660</u>	<u>\$69,900</u>	<u>\$186,419</u>	<u>\$300,000</u>	<u>\$327,829</u>	<u>\$944,180</u>
APPLICATION OF FUNDS							
Deferred development expense — Schedule 1	\$23,151	\$19,297	\$47,609	\$ 75,936	\$117,077	\$313,321	\$596,391
Less — non-cash charges (amortization and depreciation)...					1,786	4,232	6,018
	<u>\$23,151</u>	<u>\$19,297</u>	<u>\$47,609</u>	<u>\$ 75,936</u>	<u>\$115,291</u>	<u>\$309,089</u>	<u>\$590,373</u>
Tooling costs				4,000	49,152	2,846	55,998
Furniture and equipment	(46)	168	(168)		7,203	26,433	33,590
Office leasehold improvements					13,172		13,172
Bell Captain units					44,700		44,700
Deposits				30,000	460	713	31,173
Patent costs	22,990	120	35	6,911	3,995	1,000	35,051
Organization costs			1,600	3,252		1,156	6,008
	<u>\$46,095</u>	<u>\$19,585</u>	<u>\$49,076</u>	<u>\$120,099</u>	<u>\$233,973</u>	<u>\$341,237</u>	<u>\$810,065</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$ 1,277</u>	<u>\$ (6,925)</u>	<u>\$20,824</u>	<u>\$ 66,320</u>	<u>\$ 66,027</u>	<u>\$ (13,408)</u>	<u>\$134,115</u>

* 1967 was the first year of operation of the subsidiary company



CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

CONSOLIDATED BALANCE SHEET

ASSETS			
CURRENT ASSETS			
Cash	\$ 37,739		
Short term bank deposit receipt	127,160		
Accounts receivable	27,686		
Inventory of parts, at cost	8,248		
Prepaid expenses	2,308	\$ 203,141	
FIXED ASSETS (Note 2)			
Furniture and equipment, at cost			
less accumulated depreciation	\$ 32,083		
Office leasehold improvements, at cost			
less amounts written off	8,707		
Bell Captain units, at cost	31,871	72,661	
OTHER ASSETS, at cost			
Deposits (Note 3)	\$ 31,173		
Patent costs	35,692		
Tooling costs	55,998		
Incorporation costs	7,262	130,125	
DEFERRED DEVELOPMENT EXPENSES			
Balance, December 31, 1966	\$ 293,030		
Expenses for the year (Exhibit "B")	313,321	606,351	
		<u>\$1,012,278</u>	

APPROVED ON BEHALF OF THE BOARD:

"KEITH BALDWIN", Director

"N. FRANKEL", Director

The attached notes are an integral part of these financial statements.

S AT DECEMBER 31, 1967

Exhibit "A"

LIABILITIES AND SHARE CAPITAL

CURRENT LIABILITIES

Accounts payable:

General	\$ 60,727	
Hawker Siddeley Canada Ltd. — re manufacture of machines	13,530	\$ 74,257

SHARE CAPITAL

Authorized:

3,000,000 common shares of no par value

Issued:

2,300,000 shares (Note 1)	938,021
	<u>\$1,012,278</u>

This is the balance sheet referred to in our report dated February 29, 1968.

HALLAM & McALISTER
Chartered Accountants

AUDITORS' REPORT

The Shareholders,
Captain International Industries Ltd.,
Vancouver, B.C., Canada

We have examined the consolidated balance sheet of Captain International Industries Ltd. and its subsidiary as at December 31, 1967 and the consolidated statements of deferred development expenses and source and application of funds for the year ended on that date. As to the parent company, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. As to the subsidiary, we have relied upon the financial statements as reported upon by a certified public accountant.

In our opinion which, insofar as it relates to the subsidiary, is based solely upon the unqualified report of a certified public accountant, these consolidated financial statements when read in conjunction with the notes thereto present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and application of their funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
February 29, 1968.

HALLAM & McALISTER,
Chartered Accountants



Exhibit "B"

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT EXPENSES

For the Year Ended December 31, 1967

Advertising	\$ 26,373
Automobile	9,470
Amortization of leasehold improvements and depreciation	4,232
Management fees and salaries	55,560
Miscellaneous	3,679
Moving, freight and duty	9,752
Office, printing and supplies	18,368
Professional fees	18,846
Rent	17,036
Salaries – general	91,787
Shows and exhibitions	6,899
Telephone	15,284
Transfer agent fees	2,523
Travel	61,171
	<u>\$ 340,980</u>
Less: Franchise fees, interest and other income	27,659
	<u>\$ 313,321</u>
DEFERRED DEVELOPMENT EXPENSES FOR THE YEAR (EXHIBIT "A")	
	<u>\$ 313,321</u>

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1967

SOURCE OF FUNDS

Sale of shares	\$ 315,000	
Recoveries on Bell Captain units.....	12,829	\$ 327,829
	<u> </u>	

APPLICATION OF FUNDS

Deferred development expenses (Exhibit "B").....	\$ 313,321	
Less: Non-cash charges, amortization and depreciation.....	4,232	
	<u> </u>	
	\$ 309,089	
Purchase of furniture and equipment.....	26,433	
Tooling costs	2,846	
Incorporation costs	1,156	
Patent costs	1,000	
Deposits.....	713	341,237
	<u> </u>	<u> </u>
DECREASE IN WORKING CAPITAL, below.....		\$ 13,408
		<u> </u>

WORKING CAPITAL

	Beginning of Period	End of Period
Current assets	\$ 163,370	\$ 203,141
Current liabilities	21,078	74,257
	<u> </u>	<u> </u>
	\$ 142,292	\$ 128,884
Decrease in working capital, above.....	<u> </u>	13,408
	<u> </u>	<u> </u>
	\$ 142,292	\$ 142,292
	<u> </u>	<u> </u>

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at December 31, 1967

1. During the year, the company issued 500,000 shares for a cash consideration of \$315,000. Subsequent to December 31, 1967 and pursuant to an underwriting agreement dated November 24, 1967 the company issued:
 - (a) 200,000 shares for a cash consideration of \$700,000;
 - (b) 100,000 share purchase warrants for a cash consideration of \$25,000, each warrant entitling the holder thereof to purchase one common share at any time up to November 30, 1972 at \$4.00 per share.
2. As the company is still in the development stage (1) no provision has been made for depreciation on furniture and fixtures (other than \$1,438 in the accounts of the subsidiary) or on service units, and (2) development costs and expenses have been capitalized.
3. Under the provisions of an agreement between the company and Hawker Siddeley Canada Ltd. dated September 2, 1965, Hawker Siddeley Canada Ltd. agreed to manufacture service units on behalf of the company. The contract provided for a deposit of \$30,000 and the balance payable on delivery of the machines and, in any event, on or before January 1, 1967. By verbal agreement payment will be made as the service units are delivered. There remains an amount of approximately \$115,000 owing on service units ordered but not delivered.
4. The company and its subsidiary have entered into employment contracts with two key employees (a Vice-President, Operations and a Vice-President, Marketing). The contracts, commencing February 1, 1967, extend over a period of five years and provide for salaries and commissions. In addition, the contracts provide for stock options to both employees on a total of 50,000 shares each in Captain International Industries Ltd. whereby they are entitled to take up 10,000 shares each at 75c per share in each of the five years from February 1, 1967 to January 31, 1972, such options being on a cumulative basis from year to year. Furthermore, the company has granted a one year option to its managing director whereunder he has the right to acquire 25,000 shares of the company at \$3.50 per share; this option expires November 30, 1968.
5. The company has entered into lease contracts as noted hereunder:
 - (a) Long Beach, California office space; 3 years from March 15, 1967; gross rental — \$5,700 (U.S. funds);
 - (b) Automobiles; 2 years; unpaid balance — \$3,200 (U.S. funds);
 - (c) Montgomeryville, Pennsylvania office facilities and manufacturing plant; ninety months from January, 1968; annual rental — \$22,750 (U.S. funds).
6. Subsequent to December 31, 1967 the company issued purchase orders to acquire \$700,000 of materials in connection with its commencement of manufacturing activities.
7. Except as stated in Note 5 the amounts shown in these financial statements are expressed in Canadian funds; U.S. funds have been converted at 8%.
8. The attached financial statements do not include comparative figures for the year ended December 31, 1966 because the subsidiary company had not commenced operations in that year.



PRODUCTS

The Bell Captain Service Centre

SPECIFICATIONS

Dimensions – height 37", width 34", depth 21"

Finished in wood grain formica – a selection of 27 different finishes are available to match room decor.

Dispensing Unit

4 columns to dispense 6 oz., 10 oz. or 12 oz. cans – 10 miscellaneous columns to dispense liquor, soft drinks, cocktail snacks, nuts, toilet articles, cigarettes, juices, etc.

Capacity – 6 per can column.
3 per miscellaneous column.
Completely flexible pricing mechanism – individual price for each column.

Electrical

115 volts, 60 cycles.

Method of payment – no coins required: purchases electronically totalled on meters in cashier's office: total purchases transferred to guest's hotel bill.

Operation – by the insertion of the Bell Captain Key obtainable from reception and the pressing of a button.

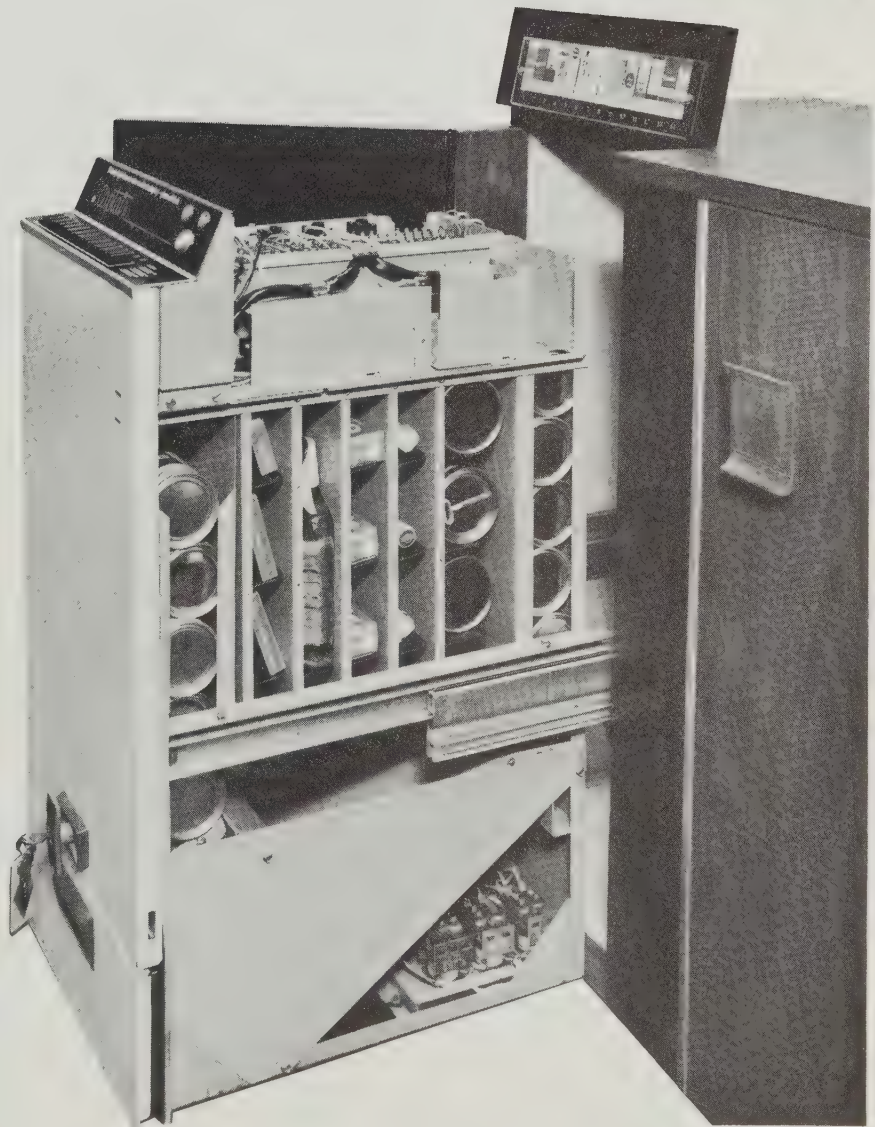
Security – individual operating keys for each unit and complete anti-pilfer control.

Refrigerator Unit

Capacity – 1 cubic ft.
Thermostatically controlled, containing 2 ice cube trays, and 1 ice cube bucket.

Electrical

115 volts, 60 cycles.





NEW PRODUCTS

The Captain Communicator System

THE CAPTAIN COMMUNICATOR is integrated with every Bell Captain In-Room Service Unit but can be installed separately, if required. This revolutionary method of internal communication for hotels-motels provides FOURTEEN NEW controls for management and guests, which come under four broad headings:

- Room status system
- Housekeeping control system
- Wake-up service
- Message service

ROOM STATUS SYSTEM shows staff instantly:

- Number of rooms occupied
- Number of rooms unoccupied
- Number of rooms in process of being vacated
- Each room being serviced

and in the **CASHIER'S OFFICE** shows:

- Check-ins at a glance, ensuring that an account is opened for any new guest immediately
- Number of rooms occupied
- Number of rooms unoccupied

HOUSEKEEPING CONTROL SYSTEM shows:

- Number of rooms occupied
- Number of rooms unoccupied
- Number of rooms in process of being vacated
- Complete information on each maid's location
- The time taken by each maid to service any one room

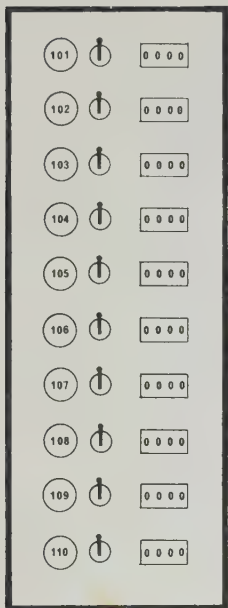
WAKE-UP SERVICE

Enables the switchboard operator to make ONE HUNDRED early morning calls to guests in FIVE MINUTES without using the phone — and the effectiveness of every call can be seen at a glance.

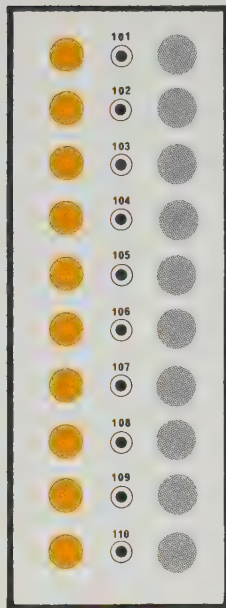
MESSAGE SERVICE

Ensures that returning guests have immediate notification of any messages that have arrived during their absence. Informs them of incoming calls when telephone is in use.

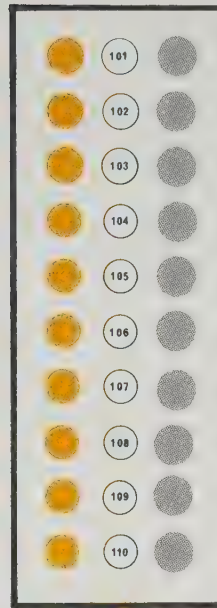
CASHIER
control
panel



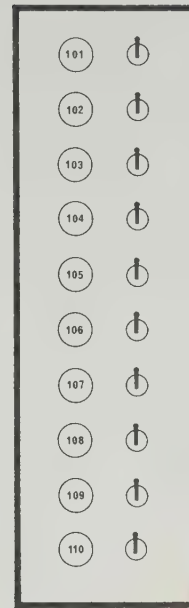
RECEPTION
control
panel



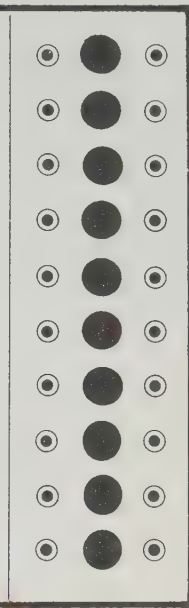
HOUSEKEEPER
control
panel



wake-up
service



SWITCHBOARD
message
centre





7-11



CAPTAIN INTERNATIONAL INDUSTRIES LTD.

PROSPECTUS SEPTEMBER 7, 1967

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

890 West Pender Street,
Vancouver, B. C.

4th October, 1967.

Dear Sir/Madam:

Enclosed is a copy of the Prospectus of our Company relating to the underwriting of 100,000 common shares. The underwriters, Belvedere Investment Company Ltd., advise that the said 100,000 shares have been fully subscribed for by the public.

Yours truly,

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

"Keith Baldwin"
President.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

600 - 890 West Pender Street

Vancouver, B.C.

prospectus

SEPTEMBER 7th, 1967

No Securities Commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

A purchase of the shares offered by this Prospectus must be considered a speculation.

CAPITAL

3,000,000 shares without nominal or par value.

DIRECTORS

B. KEITH BALDWIN Hotelman	6190 Glendalough Place Vancouver, B.C.	<i>President</i>
G. ARNOLD ARMSTRONG Solicitor	1450 Tyrol Place West Vancouver, B.C.	<i>Secretary</i>
ALEXANDER H. LENEC Chartered Accountant	600 - 890 West Pender Street Vancouver, B.C.	<i>Director</i>
NATHAN FRANKEL Manager	4800 Arbutus Street Vancouver, B.C.	<i>Director</i>
ROBERT F. HARRISON Architect	4520 Keith Road West Vancouver, B.C.	<i>Director</i>

SOLICITORS

MESSRS. ARMSTRONG BRAWNER & SPETON
Barristers & Solicitors
1250 One Bentall Centre, 505 Burrard Street
Vancouver, B.C.

REGISTERED OFFICE

1250 One Bentall Centre, 505 Burrard Street
Vancouver, B.C.

DATED: September 7, 1967

prospectus

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(A) The full name of the Company is "CAPTAIN INTERNATIONAL INDUSTRIES LTD." The address of the Company's head office is 600 - 890 West Pender Street, Vancouver, British Columbia, and its registered office is 1250 One Bentall Centre, Vancouver, British Columbia.

(B) The Company was incorporated under the laws of the Province of British Columbia by Memorandum of Association as a private company on the 31st day of January, 1961, under the name of Homaway Manufacturing Corporation Limited. On the 30th day of June, 1961, the name of the Company was changed to Servade Manufacturing Corporation Limited and on the 17th day of September, 1965, the Company changed its name to Captain International Industries Ltd.

(C) There have been no amendments to the Memorandum of Association save as follows:—

(1) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 3rd day of June, 1965, increasing the number of shares without nominal or par value authorized to be issued from 500,000 to 1,000,000 shares with a maximum price or consideration of \$2.00 each;

(2) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 17th day of September, 1965, increasing the maximum price or consideration at or for which the 1,000,000 shares may be sold from \$2.00 to \$3.00 per share, subdividing all of the said shares so that the number of shares authorized was increased to 1,500,000 without nominal or par value with a maximum price or consideration of \$2.00 each and increasing the number of such shares to 3,000,000 so that the Company is now authorized to issue 3,000,000 shares without nominal or par value with a maximum price or consideration of \$2.00 each.

(3) Amendment approved by the Registrar of Companies, Victoria, British Columbia, on the 15th day of June, 1966, converting the Company from a private company to a public company.

(D) The general nature of the business to be transacted by the Company consists of the manufacturing, selling and leasing of coinless vending machines consisting of a thermo-electric refrigerator and a coinless dispenser either separately or together and other articles of a similar nature.

(E) The full names, occupations and home addresses of the Directors of the Company are as follows:—

B. KEITH BALDWIN — Hotelman
6190 Glendalough Place,
Vancouver, B.C.

G. ARNOLD ARMSTRONG — Solicitor
1450 Tyrol Place,
West Vancouver, B.C.

ALEXANDER H. LENECH — Chartered Accountant
L2301 - 1600 Beach Avenue,
Vancouver, B.C.

NATHAN FRANKEL — Manager
4800 Arbutus Street,
Vancouver, B.C.

ROBERT F. HARRISON — Architect
4520 Keith Road,
West Vancouver, B.C.

The Promoter of the Company is Dean Regan, Inventor, of 2705 - 2055 Pendrell Street, Vancouver, British Columbia.

(F) The Auditors of the Company are:
Messrs. HALLAM & McALISTER
Chartered Accountants
630 - 890 West Pender Street
Vancouver, B.C.

(G) The Registrar and Transfer Agent of the Company is:
THE GUARANTY TRUST COMPANY OF
CANADA
624 Howe Street
Vancouver, B.C.

Books for registration and transfer of the said shares of the Company are kept by The Guaranty Trust Company, Vancouver, British Columbia.

(H) The authorized capital of the Company consists of 3,000,000 shares without nominal or par value with a maximum price or consideration of \$2.00 each. 2,200,000 common shares without nominal or par value are issued and outstanding as fully paid and non-assessable.

(I) There are no preferences, conversion or exchange rights attached to any of the shares, and the registered holder of the shares is entitled to one vote for each share registered in the holder's name, at any special or general meeting of the shareholders of the Company.

(J) There are no bonds, debentures or other securities outstanding that rank ahead of securities offered hereby and it is not proposed to issue any bonds, debentures or other securities that will rank ahead of such securities.

(K) There is no substantial indebtedness to be created or assumed that is not shown on the Consolidated Balance Sheet of the Company and Captain International Industries,

Inc., as at April 30th, 1967, filed with the Securities Commission at Victoria, British Columbia.

(L) There are no securities in respect of which options have been or are to be given by the Company save and except for the following:—

(a) Option to purchase 50,000 shares at the price of \$.75 per share under and pursuant to a certain employment contract dated the 17th day of January, 1967, and made between Captain International Industries Inc., of the First Part, Captain International Industries Ltd. of the Second Part and Jack Morgan of the Third Part, which option is exercisable as follows:—

10,000 common shares exercisable between the period February 1st, 1967 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1968 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1969 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1970 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1971 and January 31st, 1972.

(b) Option to purchase 50,000 shares at the price of \$.75 per share under and pursuant to a certain employment contract dated the 17th day of January, 1967, and made between Captain International Industries, Inc., of the First Part, Captain International Industries Ltd. of the Second Part and Rocco M. Yannarell, Jr., of the Third Part which option is exercisable as follows:—

10,000 common shares exercisable between the period February 1st, 1967 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1968 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1969 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1970 and January 31st, 1972;

10,000 common shares exercisable between the period February 1st, 1971 and January 31st, 1972.

(M) The securities offered by this Prospectus consist of 100,000 common shares without nominal or par value.

(N) The price of the said 100,000 common shares is \$1.15 each payable in cash.

(O) The only previous offering of securities was pursuant to Prospectuses dated the 17th day of May, 1966 and the 21st day of July, 1967, particulars of which are as follows:—

Prospectus dated May 17th, 1966

(1) The offering was 300,000 common shares.

(2) 300,000 common shares were issued and the Company received the sum of \$300,000.00 in cash therefor.

(3) No commission was paid or is payable with respect to the said offering.

Prospectus dated July 21st, 1967

(1) The offering was 400,000 common shares.

(2) 400,000 common shares were issued and the Company received the sum of \$200,000 in cash therefor.

(3) No commission was paid or is payable with respect to the said offering.

(P) The net cash proceeds to be derived from the offering contained in this Prospectus is \$115,000.00.

(Q) The proceeds of the sale of the securities are to be used in the manufacturing of the coinless vending machines by the Company through Hawker Siddeley Canada Limited, and for the general corporate purposes of the Company. Under the provisions of an agreement with the said Hawker Siddeley Canada Limited dated the 2nd day of September, 1965, the said Hawker Siddeley agreed to manufacture Five Hundred (500) vending machines. The contract also provided for a deposit of Thirty Thousand (\$30,000.00) Dollars and the balance payable on delivery of the machines, and in any event on or before the 1st day of January, 1967. The required capital will be used for the purposes of paying for the initial order of the said vending machines as and when same are delivered and to cover the cost of advertising, travelling expenses and installation costs.

No part of the proceeds shall be used to invest, underwrite, or trade in securities other than those that qualify as investments in which trust funds may be invested under the laws and jurisdictions in which the securities offered by this Prospectus may lawfully be sold.

Should the Company propose to use the proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, approval by the shareholders must be obtained and disclosure made to the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

(R) There is no minimum subscription or minimum amount that in the opinion of the Directors of the Company it will be necessary to raise and no portion of the moneys raised will be utilized in payment of preliminary expenses, commission or repayment of borrowed money.

(S) The Company has entered into an agreement with Belvedere Investments Ltd. dated the 7th day of September, 1967, under the provisions whereof the said Belvedere Investments Ltd. has agreed to purchase 100,000 common shares offered hereunder forthwith upon the approval and acceptance of this Prospectus by the British Columbia Securities Commission at the price of \$1.15 per share net to the Treasury and save and except for the said underwriting agreement, there are no sub-options, or sub-underwriting agreements or assignments or proposed assignments made in connection with any of the agreements made by the Company and referred to in this Prospectus. It is a condition of the said underwriting that the 100,000 shares shall not be sold by the Underwriter for a price per share greater than 160 per cent of the underwriting price. The only shareholder of Belvedere Investments Ltd. with a greater than five per cent interest therein is Kipling

Investments Limited of Box 288, Nassau, Bahamas. The only shareholders with a greater than five per cent interest in Kipling Investments Limited are Berton Keith Baldwin of 6190 Glendalough Place, Vancouver, British Columbia, Hotelman and G. Arnold Armstrong, of 1450 Tyrol Place, West Vancouver, British Columbia, Solicitor. The selling broker for the underwritten shares will be T. K. Laidlaw & Co. Ltd.

(T) The provisions of the Articles of Association of the Company relating to the remuneration of Directors are as follows:—

“71. The remuneration of the Directors shall from time to time be determined by ordinary resolution whether previous notice thereof has been given or not.”

(U) No remuneration was paid to the Directors of the Company for their services during the fiscal year last ended and no officer received remuneration in excess of \$10,000.00 during the fiscal year last ended.

(V) It is not anticipated that any remuneration will be paid during the current fiscal year to the Directors as such, and it is not anticipated that any officer of the Company will receive remuneration in excess of \$10,000.00 during the current fiscal year.

(W) No commissions were paid by the Company in respect of the two previous years on subscriptions or agreements of subscriptions for shares or obligations of the Company.

(X) The Company has been carrying on business for more than one year.

(Y) No property has been purchased or is to be purchased by the Company other than during the ordinary course of operations or on the general credit of the Company.

The Company acquired the patent rights to the vending machine and its component features from Dean Regan, on the 15th day of January, 1962, in consideration of the allotment to the said Dean Regan of 100,000 shares of the Company. Subsequently to the acquisition of the patent rights, the Engineering Department of Hawker Siddeley Canada Limited improved the methods and engineering and as of the date hereof, patent applications have been filed covering the final improvements of the machine in Canada, United States of America and sixteen other countries in the world.

(Z) No securities have been issued during the immediately preceding two years or agreed to be issued as fully or partially paid up otherwise than in cash.

(AA) No obligations are offered by this Prospectus.

(BB) No services have been rendered or are to be rendered to the Company or paid for either wholly or partially with securities or with the proceeds of the sale of securities of the Company.

(CC) No amount is to be paid or has been paid to any promoter, save and except the allotment to Dean Regan of 100,000 shares in consideration for the assignment of patents as set forth in Clause Y hereof.

(DD) The Company has entered into material contracts other than in the ordinary course of business of the Company as follows:—

- (1) Agreement in writing dated the 30th day of September, 1965, between the Company and Allen Investments Ltd., with respect to the service of the said Allen Investments Ltd. as Management Agent for a period of ten years.
- (2) Underwriting Agreement dated the 17th day of July, 1967, with Belvedere Investments Ltd. the terms of which are set forth in Clause S hereof.
- (3) Employment Contract dated the 17th day of January, 1967, made between Captain International Industries Inc., Captain International Industries Ltd., and Jack Morgan respecting the employment of the said Jack Morgan as Vice President, Operations for a period of five years.
- (4) Employment Contract dated the 17th day of January, 1967, made between Captain International Industries Inc., Captain International Industries Ltd., and Rocco M. Yannarell, Jr., as Vice President, Marketing, for a period of five years.

Copies of the foregoing agreements may be inspected at 1250 One Bentall Centre, 505 Burrard Street, Vancouver, British Columbia during the ordinary business hours while primary distribution to the public of the securities offered by this Prospectus is taking place.

(EE) No director of the Company and no firm of which a director of the Company is or was a partner has any interest direct or indirect in any property acquired or proposed to be acquired by the Company.

(FF) The Company has carried on business for more than three years.

(GG) The Company has not acquired nor does it intend to acquire either directly or by the acquisition of shares or otherwise any business that has been carried on for less than three years.

(HH) The Directors know of no person or persons who by reason of beneficial ownership of securities of the Company or by any agreement in writing are in a position to or are entitled to elect or cause to be elected a majority of the Directors of the Company.

(II) There are no shares of the Company held in escrow.

(JJ) No dividends have been paid within the five years preceding the date of this Prospectus.

(KK) The Directors do not know of any other material fact not disclosed under the provisions of the Securities Act, R.S.B.C., 1962.

(LL) On the 14th day of November, 1966, the Company caused to be incorporated under the laws of the Commonwealth of Pennsylvania, one of the United States of America, a wholly owned subsidiary Company under the name of Captain International Industries, Inc. The author-

ized capital of the Company is 100,000 shares with a par value of \$1.00 per share. There are issued and outstanding in the said Captain International Industries, Inc., 25,000 shares with a par value of \$1.00 each, all of which shares are owned by Captain International Industries Ltd. In addition to the investment of \$25,000.00 by the Company for the shares of Captain International Industries, Inc., the Company purchased debentures in the amount of \$75,000.00 payable on or before December 31st, 1967, with interest at the rate of eight (8%) per cent per annum.

The Directors of Captain International Industries, Inc., are Berton Keith Baldwin, President; Nathan Frankel, Vice-President, Finance; Alexander H. Lenec, Vice-President, Treasurer; Jack Morgan, Vice-President, Operations; Rocco

M. Yannarell, Jr., Vice-President, Marketing; G. Arnold Armstrong, Vice-President, Secretary.

There is no substantial indebtedness with respect to Captain International Industries, Inc., to be created or assumed that is not shown on the Consolidated Balance Sheet of the Company and Captain International Industries, Inc., as at April 30th, 1967, and filed with the Securities Commission at Victoria, British Columbia.

DATED at the City of Vancouver, in the Province of British Columbia, this 7th day of September, 1967.

CERTIFICATES — Directors and Promoter

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by the Securities Act, 1962,

(signed) B. KEITH BALDWIN

(signed) ALEXANDER H. LENEK

(signed) ROBERT F. HARRISON

and there is no further material information applicable other than in the financial statements or reports where required.

(signed) G. ARNOLD ARMSTRONG

(signed) NATHAN FRANKEL

(signed) DEAN REGAN—Promoter

Underwriter:

To the best of the knowledge, information and belief of Belvedere Investments Ltd., the Underwriter and T. K. Laidlaw & Co. Ltd., the Selling Broker, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of the securities referred

to above, as required by the Securities Act of the Province of British Columbia, and there is no further information applicable other than in the financial statements or reports where required.

THE CORPORATE SEAL OF BELVEDERE INVESTMENTS LTD. was hereunto affixed in the presence of:

T. K. LAIDLAW & CO. LTD.

Per: "E. V. BODWELL"

"M. M. MANIS"

"C. BROWNIE"
PRESIDENT.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries Inc.)

CONSOLIDATED BALANCE SHEET AS AT APRIL 30, 1967

ASSETS			LIABILITIES AND SHARE CAPITAL	
CURRENT ASSETS			CURRENT LIABILITIES	
Cash	\$ 52,823		Accounts payable	\$ 31,441
Certificates of deposit	21,600			
Prepaid expenses	8,795			
Accounts receivable	1,353	\$ 84,571		
FIXED ASSETS			SHARE CAPITAL	
Furniture and equipment	\$ 20,643		Authorized:	
Office leasehold improvements	10,493		3,000,000 common shares of no par value	
Service units	44,609	75,745	Issued:	
OTHER ASSETS			1,800,000 shares	623,021
Deposits (Note 1)	\$ 31,000			
Patent costs	35,192			
Organization costs	7,110	73,302		
DEFERRED EXPENSES				
Tooling costs	\$ 53,269			
Development expenses — per Schedule 1	367,575	420,844		
		<u>\$ 654,462</u>		<u>\$ 654,462</u>

APPROVED ON BEHALF OF THE BOARD:

"KEITH BALDWIN", Director

"G. A. ARMSTRONG", Director

This is the balance sheet referred to in our report of June 30, 1967.

HALLAM & McALISTER
Chartered Accountants

The attached notes are an integral part of this balance sheet and should be read in conjunction therewith.

AUDITORS' REPORT

We have examined the consolidated balance sheet of Captain International Industries Ltd. and its wholly owned subsidiary Captain International Industries Inc. as at April 30, 1967 and the consolidated statements of deferred development expense and source and application of funds for the period January 1, 1966 to April 30, 1967. As to the company, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. As to the subsidiary, we examined the report of a certified public accountant thereon, and the accounts of this subsidiary have been included in the accompanying statements as shown by such report.

In our opinion, which insofar as it relates to the subsidiary company is based solely upon the report of the certified public accountant, the accompanying consolidated balance sheet and consolidated statements of deferred development expense and source and application of funds when read in conjunction with the notes thereto, present fairly the financial position of the companies as at April 30, 1967 and the results of their operations and the source and application of their funds for the period January 1, 1966 to April 30, 1967 in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous period.

Vancouver, B.C.
June 30, 1967

HALLAM & McALISTER,
Chartered Accountants.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries Inc.)

CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT EXPENSE

Total to December 31, 1965.....		\$ 175,952
Period January 1, 1966 to April 30, 1967		
Advertising	\$ 28,863	
Auto expenses	4,921	
Audit and accountancy	2,523	
Legal expenses	7,856	
Moving expenses and freight	5,278	
Salaries and management fees	72,679	
Office expenses	32,781	
Travel	37,616	
Amortization of leasehold improvements	2,679	
Parts for service units	2,472	
Installation costs	6,405	
Other expenses	2,247	
	<u>\$ 206,320</u>	
Less — Franchise fees, interest and other revenue	14,697	<u>191,623</u>
Total Deferred Development Expenses		
to April 30, 1967 — per balance sheet		<u>\$ 367,575</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Period January 1, 1966 to April 30, 1967

SOURCE OF FUNDS

Sale of shares	
300,000 shares at \$1.00 each	\$ 300,000

APPLICATION OF FUNDS

Net deferred development expense	\$ 191,623	
Purchase of office furniture	20,643	
Leasehold improvements	10,493	
Deposits	1,000	
Service units	44,609	
Patent costs	4,684	
Tooling costs	49,270	
Organization costs	1,503	<u>323,825</u>

DECREASE IN WORK CAPITAL	<u>\$ 23,825</u>
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WORKING CAPITAL

January 1, 1966 — Current assets	\$ 80,052	
Less current liabilities	3,097	\$ 76,955
April 30, 1967 — Current assets	\$ 84,571	
Less current liabilities	31,441	<u>53,130</u>
Decrease	<u>\$ 23,825</u>	

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries Inc.)

NOTES TO APRIL 30, 1967 FINANCIAL STATEMENTS

1. Under the provisions of an agreement between the company and Hawker Siddeley Canada Ltd. dated September 2, 1965, Hawker Siddeley Canada Ltd. agreed to manufacture 500 service units. The contract provided for a deposit of \$30,000 and the balance payable on delivery of the machines and in any event on or before January 1, 1967. By verbal agreement payment will be made as the service units are delivered. There remains an amount of approximately \$166,000 owing on service units ordered but not delivered.
2. As the company is still in the development stage (1) no provision has been made for depreciation on furniture and equipment and service units and (2) development costs and expenses have been capitalized.
3. The company and its subsidiary have entered into employment contracts with two key employees (a Vice President, Operations and a Vice President, Marketing). The contracts, commencing February 1, 1967, extend for a term of five years. The contracts provide for an annual salary and commissions on sales to each employee. In addition, the contracts provide generally for stock options up to January 31, 1972 on a total of 100,000 shares of Captain International Industries Ltd. at 75¢ per share.
4. Captain International Industries Inc. has entered into lease contracts for office space in Long Beach, California and Fort Washington, Pennsylvania. The leases, for a term of three years, provide for a gross rental of approximately \$30,000.
Captain International Industries Inc. has also entered into two leases for motor vehicles. The leases, for a term of two years, have an unpaid balance of approximately \$4,800.

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

(and its wholly owned subsidiary Captain International Industries Inc.)

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Period May 1, 1967 to August 31, 1967

SOURCE OF FUNDS

Sale of Shares		
400,000 Shares at \$.50 each.....	\$200,000.00	
Recoveries on service units.....	11,315.00	\$211,315.00

APPLICATION OF FUNDS

Net deferred development expense.....	\$106,208.00	
Purchase of office furniture.....	\$ 1,088.00	
Patent costs	500.00	\$107,796.00

INCREASE IN WORKING CAPITAL.....		<u>\$103,519.00</u>
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WORKING CAPITAL

April 30, 1967	— Current Assets	\$ 84,571.00	
	Less Current Liabilities.....	31,441.00	\$ 53,130.00
August 31, 1967	— Current Assets	\$225,201.00	
	Less Current Liabilities.....	68,552.00	\$156,649.00
	Increase.....		<u>\$103,519.00</u>

RECORDED IN CANADIAN FUNDS

APPROVED:

"NATHAN FRANKEL", Director

"G. ARNOLD ARMSTRONG", Director

CAPTAIN INTERNATIONAL INDUSTRIES LTD.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Period May 1, 1967 to August 31, 1967

SOURCE OF FUNDS

Sale of Shares		
400,000 Shares at \$.50 each.....	\$200,000.00	
Recoveries on service units.....	11,315.00	\$211,315.00
		<hr/>

APPLICATION OF FUNDS

Net deferred development expense.....	\$ 20,739.00	
Patent costs	500.00	\$ 21,239.00
		<hr/>

INCREASE IN WORKING CAPITAL.....		<hr/>
		\$190,076.00
		<hr/>

WORKING CAPITAL

April 30, 1967	— Current Assets	\$ 27,729.00	
	Less Current Liabilities.....	10,589.00	\$ 17,140.00
		<hr/>	
August 31, 1967	— Current Assets	\$256,504.00	
	Less Current Liabilities.....	49,288.00	\$207,216.00
		<hr/>	
	Increase.....		<hr/>
			\$190,076.00
			<hr/>

RECORDED IN CANADIAN FUNDS

APPROVED:

"NATHAN FRANKEL", Director

"G. ARNOLD ARMSTRONG", Director

CAPTAIN INTERNATIONAL INDUSTRIES INC.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS For the Period May 1, 1967 to August 31, 1967

SOURCE OF FUNDS

Nil \$ —

APPLICATION OF FUNDS

Net deferred development expense \$ 78,926.00
Purchase of office furniture 1,008.00 \$ 79,934.00

DECREASE IN WORKING CAPITAL \$ 79,934.00

WORKING CAPITAL

April 30, 1967 — Current Assets \$ 58,039.00
Less Current Liabilities 15,989.00 \$ 42,050.00

August 31, 1967 — Current Assets \$ 18,392.00
Less Current Liabilities 56,276.00 (37,884.00)

Decrease \$ 79,934.00

RECORDED IN U.S. FUNDS

APPROVED:

"NATHAN FRANKEL", Director

"G. ARNOLD ARMSTRONG", Director

